



City of Rockville

MEMORANDUM

January 12, 2011

TO: Historic District Commission

FROM: Robin D. Ziek, Historic Preservation Planner

SUBJECT: Status Report: Rockville and the Montgomery County Heritage Area

Background Summary

The Montgomery County Heritage Area is part of a State sponsored program that is managed by staff at the Maryland Historical Trust. The Heritage Area program was devised in 1996 as an economic development program to encourage the use and enjoyment of the state's historic and natural resources, and encourage the development of amenities associated with heritage travel such as restaurants and Bed and Breakfasts. The Montgomery County Heritage Area was proposed by the County in 2002 and formally adopted in 2004. The non-profit Heritage Tourism Alliance of Montgomery County ("Heritage Montgomery" or "HM") was established as the local management entity in the program. Its duties are stated in the enabling legislation, which also provides a mission statement and outlines the functional structure of the program (Title 13. Subtitle 11 of the Annotated Code of Maryland, see Attachment A).

The Mayor and Council endorsed the general concept that Rockville should join the Montgomery County Heritage Area on October 4, 2010. CPDS staff (Historic Preservation and Long-Range Planning) are currently working together to provide the necessary information for the Mayor and Council to evaluate the Heritage Area program, and positive and negative considerations involved in the City's joining the program.

Over the past several years, Historic Preservation Staff have taken steps to position the City to join the Heritage Area, including participation on the Board of Directors for the Heritage Tourism Alliance of Montgomery County ("HM") from 2003 – 2007; facilitating efforts to secure a small City grant to assure publicity for Rockville's heritage sites during the County's summer festival known as "Heritage Days;" requesting and receiving formal endorsement by the Board of Directors of HM to join the Heritage Area (see Attachment B); and, bringing the issue to the M&C with a briefing by Peggy Erickson, Executive Director of HM in October 2010.

Where we are today

To participate in the Heritage Area, the City must coordinate the following:

- A State requirement that the City adopt the Montgomery County Heritage Area Management Plan in the City's *Comprehensive Plan*;
- An update of the 2002 *Comprehensive Plan*, with the revision of the 2002 Heritage Chapter as a *Comprehensive Plan* "Historic Element;" and
- The development of a Rockville chapter to be added into the existing Montgomery County Heritage Area *Management Plan*.

There are many questions remaining about the benefits for the City to join the Heritage Area, and staff will use our planning process to address them. A recommended scope of work and a proposed schedule will be presented to the HDC for consideration as part of the February 17th meeting, which will also be presented to the Planning Commission at their February 9th meeting.

Background Information

The entire Management Plan for the Montgomery County Heritage Area can be accessed on the web site at <http://www.heritagemontgomery.org/content/management-plan-0>.

The Maryland Historical Trust has also recently produced a Strategic Plan to spur implementation of the local management plans statewide, which is posted on their web site at http://mht.maryland.gov/heritageareas_plan.html.

For a third party review of the economic benefits of the Heritage Tax Credits, an aspect of the Heritage Area program, see *The Abell Report*, Vol 22, No. 1, March 2009 (see Attachment C).

Attachment A: Annotated Code of Maryland Title 13.Subtitle 11.Heritage Areas

Attachment B: 2007 staff presentation to Heritage Tourism Alliance Board of Directors, summarizing historic resources in Rockville and relationship to Heritage Area program

Attachment C: Abell Report on Heritage Tax Credits as economic stimulus



*Maryland Department of Planning
Maryland Historical Trust*

*Martin O'Malley
Governor
Anthony G. Brown
Lt. Governor*

*Richard Eberhart Hall
Secretary
Matthew J. Power
Deputy Secretary*

**ANNOTATED CODE OF MARYLAND
Financial Institutions Article
Title 13. State-Operated Financial Programs
Subtitle 11. Heritage Areas**

§ 13-1101. Definitions

- (a) In this subtitle the following words have the meanings indicated.
- (b) "Authority" means the Maryland Heritage Areas Authority established under § 13-1103 of this subtitle.
- (c) "Bonds" means revenue bonds, including refunding bonds or revenue anticipation notes, issued by the Authority.
- (d) "Certified heritage area" means a heritage area designated in accordance with § 13-1111 of this subtitle.
- (e) "Fund" means the Maryland Heritage Areas Authority Financing Fund established under § 13-1114 of this subtitle.
- (f) "Heritage area" means a developed area of public and private uses that:
 - (1) Ranges in size from a portion of a county or municipal corporation to a regional area with a special coherence;
 - (2) Is distinguished by physical and cultural resources which have played a vital role in the historic life and development of the community and contribute to the public through interpretive, educational, and recreational use;
 - (3) Is composed of contiguous or noncontiguous geographic areas; and
 - (4) May include traditional parks and historic places or property on the national or State register of historic properties.
- (g) (1) "Local plan" means the policies, statements, goals, and interrelated plans for private and public land use, transportation, and community facilities documented in texts and maps which constitute the guide for the area's future development.

This document is provided by the Maryland Department of Planning for reference purposes only. Statutes and Regulations may change as a result of legislative action, so users are advised to consult the most current version of the Maryland Code available from the Maryland Department of Legislative Services at: <http://www.mlis.state.md.us/>.

- (2) "Local plan" includes a general plan, master plan, comprehensive plan, community plan, and the like as adopted in accordance with Article 66B, Titles 3 and 14 of the Code.
- (h) "Management plan" means a document prepared in accordance with § 13-1111 of this subtitle that includes a comprehensive statement in words, maps, illustrations, or other media of communication of the objectives, policies, and standards to guide public and private action for the preservation, interpretation, development, and use of the cultural, historic, natural, and architectural resources of a certified heritage area.
- (i) "Recognized heritage area" means a heritage area that:
- (1) The local jurisdictions within the heritage area have nominated for designation as a recognized heritage area under § 13-1110 of this subtitle; and
 - (2) The Heritage Areas Authority has designated as eligible to apply for designation as a certified heritage area under § 13-1111 of this subtitle.
- (j) "Target investment zone" means a specific area:
- (1) Located within a certified heritage area;
 - (2) Identified in a management plan approved by the Authority or through a process specified by the Authority; and
 - (3) Intended to attract significant private investment to the area in order to encourage demonstrable results and return on public investment within the area in a relatively short period of time.

§ 13-1102. Construction of subtitle

This subtitle:

- (1) Shall be liberally construed to effect its purposes; and
- (2) Shall be construed consistently with any applicable federal law or with the authority of any federal agency under that law.

§ 13-1103. Heritage Areas Authority established

- (a) There is a Maryland Heritage Areas Authority, established as:
- (1) A body corporate and politic; and

- (2) An instrumentality of the State.
- (b) The Authority is an independent unit of government in the Executive Branch of government that operates in the Department of Planning.
- (c) The exercise by the Authority of the powers conferred by this subtitle is the performance of an essential public function.

§ 13-1104. Members

- (a) The Authority consists of:
 - (1) The Secretary of Housing and Community Development;
 - (2) The Secretary of Business and Economic Development;
 - (3) The Secretary of Higher Education;
 - (4) The Secretary of Transportation;
 - (5) The Secretary of Natural Resources;
 - (6) The Secretary of the Department of Planning;
 - (7) The State Historic Preservation Officer; and
 - (8) Ten members appointed by the Governor with the advice and consent of the Senate:
 - (i) Two of whom shall be elected officials or representatives of local jurisdictions;
 - (ii) Two of whom shall be appointed from names recommended by the President of the Maryland Senate;
 - (iii) Two of whom shall be appointed from names recommended by the Speaker of the House of Delegates;
 - (iv) One of whom is a public member of the Maryland Greenways Commission;
 - (v) One of whom is a public member of the Maryland Tourism Development Board;
 - (vi) One of whom is a member of the public who has significant education or experience in historic preservation; and
 - (vii) One of whom is a member of the public who has significant education or experience in heritage tourism.
- (b) Of the elected officials or representatives from local jurisdictions, the Governor shall appoint:

- (1) One elected official or representative from a list submitted by the Maryland Association of Counties; and
 - (2) One elected official or representative from a list submitted by the Maryland Municipal League.
- (c) The members appointed to the Authority shall represent the gender, racial, and geographic makeup of the State.
- (d) A member of the Authority may not also be a member of the board of directors or any other type of governing or oversight body of an organization qualifying for State funds as a recognized or certified heritage area.
- (e) A cabinet member of the Authority may designate a representative to act in the absence of the cabinet member.
- (f)
 - (1) Except for State officials, the term of a member of the Authority is 4 years.
 - (2) The terms of members appointed by the Governor are staggered as required by the terms provided for members on October 1, 1996.
 - (3) At the end of a term, a member continues to serve until a successor is appointed and qualifies.
 - (4) A member who is appointed after a term has begun serves only for the rest of the term and until a successor is appointed and qualifies.
 - (5) At the end of the term of a member or on the resignation or removal of a member, the Governor shall appoint a member to the Authority with the advice and consent of the Senate.
- (g) The Secretary of Planning shall serve as chair of the Authority.
- (h) The Governor may remove a member that a Governor appointed for incompetence, misconduct, or failure to perform the duties of the position.

§ 13-1105. Meetings

- (a) Nine voting members of the Authority are a quorum.
- (b) An action of the Authority must receive the affirmative vote of at least a majority of the voting members of the Authority.
- (c) The Authority shall determine the times and places of its meetings.
- (d) A member of the Authority:

- (1) May not receive compensation; but
- (2) Is entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget.

§ 13-1106. Staff

- (a) In accordance with the State budget, the Maryland Historical Trust shall dedicate administrative staff for the Authority.
- (b)(1) As the Authority considers appropriate, the Authority may request other units of State government to detail staff or provide technical assistance to recognized and certified heritage areas.
- (2) On request of the Authority, other units of State government may detail staff or technical assistance to specific recognized or certified heritage areas.

§ 13-1107. Powers

In addition to the powers set forth elsewhere in this subtitle, the Authority may:

- (1) Recognize heritage areas in accordance with § 13-1110 of this subtitle and certify recognized heritage areas in accordance with § 13-1111 of this subtitle;
- (2) Approve or reject management plans for certified heritage areas in accordance with § 13-1111 of this subtitle;
- (3) Adopt and alter an official seal;
- (4) Sue and be sued, plead, and be impleaded;
- (5) Adopt bylaws to regulate its affairs and the conduct of its business;
- (6) In accordance with Title 10, Subtitle 1 of the State Government Article, adopt regulations to carry out the provisions of this subtitle;
- (7) Employ, either as regular employees or as independent contractors, and fix the compensation of, accountants, architects, attorneys, construction experts, personnel consultants, engineers, financial experts, managers, superintendents, and other professional personnel and agents;
- (8) Appoint advisory committees composed of local officials, representatives of the business and preservation communities, and representatives of other interests as the Authority deems appropriate;

- (9) Subject to annual appropriations, acquire in its own name, by gift or purchase, any personal property or interests in personal property necessary or convenient to support a certified heritage area and carry out the responsibilities of the Authority under this subtitle;
- (10) Subject to annual appropriation and to the prior approval of the Board of Public Works, acquire in its own name, by gift or purchase, any real property or interests in real property necessary or convenient to support a certified heritage area and carry out the responsibilities of the Authority under this subtitle;
- (11) Enter into contracts of any kind and execute all instruments necessary or convenient to carry out its powers under this subtitle;
- (12) Make and participate in making loans or grants, or otherwise provide financial assistance for any project that serves to preserve, develop, maintain, or protect a State designated heritage area;
- (13)
 - (i) Borrow money from any source for any purpose of this subtitle, including capital for its operations, reserve funds, or interest;
 - (ii) Mortgage, pledge, or otherwise encumber the property and funds of the Authority;
 - and
 - (iii) Contract with or engage the services of any person for any financing, including underwriters, placement agents, financial institutions, issuers of letters of credit, or insurers;
- (14) Subject to Part IV of this subtitle, issue bonds;
- (15) Receive and accept from any public or private source contributions, gifts, or grants of money or property;
- (16) Exercise all the corporate powers granted Maryland corporations under the Maryland General Corporation Law; and
- (17) Subject to the limitations under this subtitle, do all things necessary or convenient to carry out the powers granted by this subtitle.

§ 13-1108. Duties

The Authority shall:

- (1) Meet at least twice each year;

- (2) Develop and adopt standards, criteria, and guidance for its review and approval of recognized and certified heritage area designations, management plans, grants and loans, or other approvals required under this subtitle;
- (3) Assist in coordinating State actions with the objectives of the system of heritage areas and assist and make recommendations necessary to carry out the purposes of this subtitle;
- (4)
 - (i) Review complaints made by local governments or other entities established to administer heritage areas that relate to activities undertaken by State agencies which may adversely affect heritage area resources; and
 - (ii) Resolve any disputes that may arise in connection with the exercise of its authority under this subtitle; and
- (5) Not less than once a year, submit reports to the Governor and the General Assembly concerning progress toward implementing the heritage areas system, including recommendations for the future.

§ 13-1109. System of heritage areas

There is a Maryland system of recognized heritage areas and certified heritage areas that:

- PURPOSE
- (1) Reflects the cultural themes of the State's development; and
 - (2) Provides educational, inspirational, economic, and recreational benefits for present and future generations.

§ 13-1110. Designating recognized heritage areas

- PLAN
OUTLINE
- (a)
 - (1) The Authority may consider proposals submitted by local jurisdictions to designate a heritage area as a recognized heritage area.
 - (2) The Authority shall adopt regulations that specify criteria and procedures for designating recognized heritage areas.
 - (b) A proposal for the designation of a heritage area as a recognized heritage area shall:
 - (1) Be previously approved and submitted by the governing bodies of all of the local jurisdictions located within the specific boundaries proposed for the recognized heritage area;

- (2) To the maximum extent practicable, be developed in consultation with affected State agencies;
 - (3) Specify the boundaries for the recognized heritage area;
 - (4) Identify the local entity responsible for coordinating development of the management plan required under § 13-1111 of this subtitle;
 - (5) Describe the cultural, historic, and natural resources which contribute to the special character of the heritage area;
 - (6) Specify the general goals and objectives for the preservation, development, and management of the heritage area;
 - (7) Identify the types of public and private uses to be accommodated in the heritage area;
 - (8) Describe strategies for encouraging and accommodating visitation to and compatible economic development of the heritage area;
 - (9) Provide an economic overview of the long and short term costs and benefits related to the development of the heritage area; and
 - (10) Describe the techniques and means to be instituted by the local jurisdictions to assure the long term preservation and protection of the cultural, historic, and natural resources within the heritage area, including zoning, subdivision controls, and other growth management techniques.
- (c) The Authority may not designate a heritage area as a recognized heritage area unless the Authority finds that:
- (1) The heritage area contains resources of statewide significance that have retained integrity of setting and a cohesive character;
 - (2) The heritage area contains at least one or more:
 - (i) Historic districts either listed in, or determined to be eligible for listing in, the Maryland Register of Historic Properties in accordance with § 5A-323 of the State Finance and Procurement Article; or
 - (ii) Natural or recreational resources determined by the Secretary of Natural Resources to be of statewide significance; and
 - * (3) Public assistance for the heritage area is reasonably expected to produce additional private investments, job creation, and tourism revenues.

- (d)
 - (1) The boundaries for each recognized heritage area are the boundaries depicted on the map accompanying each proposal as approved by the Authority.
 - (2) After initial approval by the Authority of the boundaries of a recognized heritage area, the Authority may amend or revise the boundaries:
 - (i) With the approval of all of the local jurisdictions where the property to be added or removed is located; and
 - (ii) On publication of a revised drawing or boundary description in the Maryland Register.
 - (3) Boundary maps for each recognized heritage area shall be kept on file at the Authority and at the office of the county clerk where the recognized heritage area is located.
- (e) Designation of a heritage area by the Authority as a recognized heritage area establishes eligibility for matching grant assistance for the development of management plans.

§ 13-1111. Designating certified heritage areas

- (a)
 - (1) The Authority may consider proposals submitted by the local jurisdictions within a recognized heritage area to designate recognized heritage areas as certified heritage areas.
 - (2) The sponsoring local jurisdictions shall prepare a proposal that includes a management plan for the recognized heritage area.
 - (3) The local jurisdictions shall develop the management plan in cooperation and consultation with the Authority and relevant private interests.
 - (4) On approval of the management plan by the Authority and all local jurisdictions within the recognized heritage area:
 - (i) The Authority shall designate the recognized heritage area as a certified heritage area; and
 - (ii) The management plan shall be the plan for purposes of implementing the certified heritage area for both the State and local jurisdictions.
- (b) The Authority shall adopt regulations that specify the criteria and procedures for the consideration and adoption of a proposed management plan.

- (c) The Authority may not designate more than two recognized heritage areas as certified heritage areas for each fiscal year.
- (d) The Authority shall hold at least one public hearing concerning the proposed management plan for a recognized heritage area in each recognized heritage area proposed for designation as a certified heritage area.
- (e) Before submission of a management plan to the Authority for approval, the management plan must be submitted for approval to the local governing body of each jurisdiction within the recognized heritage area in the form of an amendment to the local plan.
- (f) The management plan shall be submitted to the Authority within forty-five days after preliminary approval by all local jurisdictions within the recognized heritage area.
- (g) A management plan for a certified heritage area shall include:
 - (1) An identification of:
 - (i) The boundaries of the recognized heritage area as set forth in the original designation or as proposed for revision by the management plan;
 - (ii) The land use recommendations of the local plans of all of the local jurisdictions within the recognized heritage area; and
 - (iii) The zones within the recognized heritage area for particular nature and intensity of use, including zones most appropriately devoted to public use and development by State or local government, and for private use;
 - (2) An inventory and evaluation of the significant natural and cultural resources within the recognized heritage area;
 - (3) An identification of the types of public and private uses to be encouraged within the recognized heritage area;
 - (4) An identification of properties, if any, to be acquired, in whole or in part;
 - (5) A description of the educational, interpretive, and recreational programs and projects to be undertaken in the recognized heritage area;
 - (6) A description of plans for encouraging and accommodating visitation to and compatible economic development of the recognized heritage area;

- (7) An economic assessment of the long and short term costs and benefits related to the implementation of the management plan, including an identification of expected sources of funding;
 - (8) A description of the techniques or means for the preservation and protection of the natural and cultural resources within the recognized heritage area, including:
 - (i) Appropriate existing or proposed local legislation for the designation and protection of historic properties or natural areas to assure that future local actions and development will be consistent with the goals and objectives for the recognized heritage area; and
 - (ii) If the plan proposes the enactment of one or more ordinances to provide for one or more historic preservation commissions for specific sites, structures, or districts within the recognized heritage area, provisions that:
 - 1. Are consistent with Article 66B, §§ 8.01 through 8.17 of the Code;
 - 2. Provide for membership on the Historic Preservation Commission in accordance with the minimum professional requirements of the United States Department of the Interior for certifying local governments under 36 C.F.R. Part 61; and
 - 3. Provide that the Historic Preservation Commission review and approve the design of all projects that the local jurisdiction conducts, assists, licenses, or permits that affect designated historic properties within the recognized heritage area;
 - (9) A description of the organizational structure to be utilized for planning, development, and management of the heritage area, including the responsibilities and interrelationships of local and State agencies; and
 - (10) A schedule for the planning, development, and management of the recognized heritage area.
- (h) Each management plan must demonstrate that the capability exists to implement and manage the recognized heritage area, including the capability:
- (1) To accept and disburse funds;
 - (2) To acquire, improve, and dispose of property;
 - (3) To manage, operate, and maintain appropriate public facilities; and

- (4) To adopt and enforce land use and preservation standards as required to protect the resources within the heritage area.
- (i) If the Authority determines that information in a previously submitted management plan contains sufficient information to fulfill the purpose of the management plan, the Authority may waive in whole or in part selected individual requirements regarding the submission of the management plan.
- (j) The Authority shall approve or disapprove the management plan within 90 days after the Authority receives a management plan from the local jurisdictions.
- (k) The Authority may not approve a management plan unless the Authority determines that a management plan would adequately carry out the purposes of this subtitle.
- (l) If the Authority disapproves a management plan, the Authority shall advise the local jurisdictions in writing of the reason for the disapproval and provide recommendations for a revision of the plan.
- (m) The Authority shall approve or disapprove any revisions to an existing management plan in the same manner as specified in subsections (j) through (l) of this section.
- (n) Approval of a management plan by the Authority and final approval of the plan by all local jurisdictions within a recognized heritage area shall:
- (1) Establish the designation of a recognized heritage area as a certified heritage area;
 - (2) Establish eligibility for the receipt of acquisition, development, and programming assistance from the State within the certified heritage area boundaries;
 - (3) Establish eligibility for qualifying properties and persons for certain tax incentives for activities within the defined heritage area boundaries; and
 - (4) For continuance of the certified heritage area, require appropriate local action to protect and safeguard the significant resources in the certified heritage area.
- (o) The Canal Place Historic Preservation District established under Subtitle 10 of this title is the initial certified heritage area designated under this subtitle.
- (p) After holding a public hearing in the certified heritage area that is the subject of the Authority's review, the Authority may withdraw its approval of a management plan if the Authority finds that a local jurisdiction responsible for the certified heritage area:
- (1) Has taken actions which have had a significant adverse impact upon significant certified heritage area resources; or

- (2) Has failed to implement its role under a management plan.
- (q) If the Authority withdraws its approval of a management plan:
 - (1) The heritage area shall no longer be designated as a certified heritage area; and
 - (2) The Authority shall report its withdrawal of approval to the Governor and the General Assembly stating the reasons for the action of the Authority.

§ 13-1112. Program statement

- (a) (1) The State officials under items (i) through (vii) of this subsection who have program responsibilities that affect aspects of the interpretation, preservation, development, and use of heritage area resources shall prepare a program statement detailing actions in the areas of planning, development, use, assistance, and regulation that support and assist the establishment and management of certified heritage areas, as follows:
 - (i) Secretary of Planning regarding local government adoption of heritage area management plans and regarding historic preservation and museum programs;
 - (ii) Secretary of Housing and Community Development regarding housing and neighborhood revitalization;
 - (iii) Secretary of Business and Economic Development regarding the State tourism program and economic development and job creation activities;
 - (iv) Secretary of Natural Resources regarding outdoor recreation and the management of natural resources, including State greenways;
 - (v) Secretary of Higher Education regarding educational resources and their interpretation;
 - (vi) Secretary of Transportation regarding access to and transportation within certified heritage areas, including the scenic byways program and programs for special signage; and
 - (vii) Secretary of General Services regarding the management and disposition of State property.
- (2) The State officials shall submit the program statements required under paragraph (1) of this subsection, and any revisions of the statements, to the Authority.

- (b) Units of State government that conduct or support activities affecting a certified heritage area shall:
- (1) Consult, cooperate, and to the maximum extent feasible, coordinate their activities with the unit or entity responsible for the management of each certified heritage area;
 - (2) To the maximum extent practicable, carry out the activities of the unit in a manner that is consistent with the approved management plan for the certified heritage area; and
 - (3) When conducting a review of activities under §§ 5A-325 and 5A-326 of the State Finance and Procurement Article, assure that the activities will not have an adverse effect on the historic and cultural resources of the certified heritage area, unless there is no prudent and feasible alternative.

§ 13-1113. Grants

- (a) As provided in the State budget, the Authority may award:
- (1) Grants and loans to local jurisdictions or other appropriate entities for planning, design, acquisition, development, preservation, restoration, interpretation, marketing, and programming of certified heritage areas; and
 - (2) Grants to local jurisdictions or other appropriate entities to develop management plans in recognized heritage areas.
- (b) A grant to develop a management plan may not exceed 50% of the cost of the management plan.
- (c) (1) Except as provided in paragraph (2) of this subsection, the Authority may make acquisition and development grants only for projects in a target investment zone within a certified heritage area for a period of up to 10 years after the day on which the Authority first approves funding for acquisition or development grants in:
- (i) The target investment zone; or
 - (ii) That portion of the target investment zone added through a boundary amendment approved by the Authority.
- (2) The Authority may make acquisition or development grants for a project in a target investment zone after the 10-year period described in paragraph (1) of this subsection, or outside a target investment zone, if the Authority determines that the project is essential for the success of the management plan for the certified heritage area.

- (3) An acquisition or development grant:
 - (i) May not be used for any purpose other than implementation of the certified heritage area in conformity with the approved management plan; and
 - (ii) May not exceed 50% of the total project cost for which the grant is awarded.
- (d) (1) Subject to paragraph (2) of this subsection, the Authority may make program grants to local jurisdictions and other appropriate entities:
 - (i) To develop and present interpretive exhibits, materials or other appropriate products to further the educational and recreational objectives of the certified heritage areas program; and
 - (ii) To encourage revitalization of, and reinvestment in, certified heritage area resources.
- (2) A program grant made by the Authority under paragraph (1) of this subsection may not exceed 50% of the estimated project cost.
- (e) Through the resources of the members of the Authority and in cooperation with other State agencies, the Authority shall provide technical assistance to management entities implementing a management plan.

§ 13-1114. Heritage Areas Authority Financing Fund

- (a) There is a Maryland Heritage Areas Authority Financing Fund.
- (b) (1) The Authority shall use the Fund as a continuing, nonlapsing, revolving fund for carrying out the purposes of this subtitle.
- (2) No part of the Fund may revert or be credited to the General Fund or to any other special fund of the State.
- (c) The Authority shall place all of the following receipts in the Fund:
 - (1) Proceeds from the sale of bonds;
 - (2) Revenues that the Authority collects or receives from any source under this subtitle; and
 - (3) Any additional revenue, gift, donation, or moneys received or paid to it from any other source authorized by law.
- (d) The Authority shall pay all expenses and make all expenditures from the Fund.

- (e) (1) The Authority may pledge and charge all or a portion of the receipts of the Fund for the payment of:
 - (i) Debt service on bonds of the Authority; and
 - (ii) All reasonable charges and expenses related to borrowing by the Authority and management of the obligations of the Authority.
- (2) A pledge made under paragraph (1) of this subsection is effective as provided in § 13-1119 of this subtitle and any applicable resolution of the Authority.
- (f) The State Treasurer shall:
 - (1) Invest and reinvest the Fund in the same manner as State funds; and
 - (2) Transfer any investment earnings to the credit of the Fund.
- (g) (1) In this subsection, "Program Open Space funds transferred to the Authority" means the moneys appropriated to the Fund from Program Open Space funds under § 5-903(a) of the Natural Resources Article.
- (2) Except as provided in paragraph (3) of this subsection, Program Open Space funds transferred to the Authority may not be used to pay the operating expenses of the Authority, debt service of bonds issued by the Authority, or administrative expenses related to bonds issued by the Authority.
- (3)
 - (i) Up to 10% of Program Open Space funds transferred to the Authority may be used to pay the operating expenses of the Authority.
 - (ii) Up to 50% of Program Open Space funds transferred to the Authority may be expended for debt service on bonds issued by the Authority.

§ 13-1115. Bonds

- (a) (1) Subject to this part, the Authority may at any time and from time to time issue bonds for the purposes of this subtitle to obtain funds to provide financial assistance for or otherwise support a certified heritage area.
- (2) The Authority may issue the bonds only if it determines that the issuance is necessary to achieve the purposes of this subtitle.

- (3) The Authority may not issue tax-exempt private activity bonds that are subject to the volume cap under § 146 of the Internal Revenue Code.
- (4) The Board of Public Works may not approve the issuance of bonds by the Authority that will result in more than \$15,000,000 in an aggregate outstanding and unpaid principal balance of bonds for the Authority at any time.
- (b)
 - (1) The Authority shall submit each proposed issue of bonds to the Board of Public Works and shall obtain the approval of the Board of Public Works for the proposed issue prior to sale of the bonds.
 - (2) In submitting a proposal to issue bonds to the Board of Public Works, the Authority shall identify the source of revenue that supports the debt service on the bonds.
- (c) The Authority:
 - (1) Shall by resolution authorize any bonds that it issues; and
 - (2) May secure the bonds by a trust agreement between the Authority and a corporate trustee or trustees, which may be any trust company or bank that has the powers of a trust company within or without the State.
- (d) Except as otherwise expressly required by this subtitle, the Authority may issue the bonds or notes without:
 - (1) Obtaining the consent of any other unit of State government;
 - (2) Any proceedings; or
 - (3) The occurrence of any conditions.

§ 13-1116. Repayment of bonds

- (a) The bonds of any issue shall be payable solely from the property or receipts of the Authority, including without limitation:
 - (1) Fees, charges, or other revenues payable to the Authority;
 - (2) Payments by financial institutions, insurance companies, or others pursuant to letters or lines of credit, policies of insurance, or purchase agreements;
 - (3) Investment earnings from funds or accounts maintained under a bond resolution or trust agreement;

- (4) Proceeds of refunding bonds; and
 - (5) Any other source authorized by law.
- (b) The bonds do not constitute a debt, liability, or pledge of full faith and credit of the State and may not be deemed to constitute a debt, liability, or pledge of the full faith and credit of the State.

§ 13-1117. Issuance of bonds

The bonds that the Authority issues shall:

- (1) Be issued at, above, or below par value, for cash or other valuable consideration, and mature at a time or times, whether as serial bonds or as term bonds or both, not exceeding the maturity date established by the Authority;
- (2) Bear interest at the fixed or variable rate or rates determined by the method provided in the resolution or trust agreement;
- (3) Be payable at a time or times, in the denominations and form, either coupon or registered or both, registrable as to principal and interest alone or as to both and carry the registration and privileges as to conversion and for the replacement of mutilated, lost, or destroyed bonds as the resolution or trust agreement may provide;
- (4) Notwithstanding any other law, be deemed a "security" within the meaning of § 8-102 of the Commercial Law Article, whether or not it is either one of a class or a series or by its terms is divisible into a class or series of instruments and negotiable for all purposes although payable from a limited source;
- (5) Be payable in lawful money of the United States at a designated place, including one or more banks or trust companies;
- (6) Be subject to the terms of purchase, payment, redemption, refunding, or refinancing that the resolution or trust agreement provides;
- (7) Be executed by the manual or facsimile signatures of the officers of the Authority designated by the Authority, which signatures shall be valid for all purposes at delivery even for an officer who has ceased to hold office; and

(8) Be sold in the manner and on the terms determined by the Authority, including private (negotiated) sale and be exempt from §§ 8-206, 8-208, and 8-209 of the State Finance and Procurement Article.

§ 13-1118. Resolution or trust agreement

(a) Any resolution or trust agreement the Authority adopts or enters into under § 13-1115 of this subtitle may contain provisions that:

- (1) Pledge, assign, or direct the use, investment, or disposition of all or a portion of the receipts of the Authority or all or a portion of the proceeds or benefits of any contract and convey or otherwise secure any property or property rights;
- (2) Set aside loan funding deposits, debt service reserves, capitalized interest accounts, cost of issuance accounts, and sinking funds, and regulate, invest, and dispose of these deposits, reserves, accounts, and funds;
- (3) Limit the purpose to which or the investments in which the proceeds of sale of any issue of bonds may be applied and restrict the investment of revenues or bond proceeds as deemed necessary, which may include limiting investments to government obligations for which principal and interest are unconditionally guaranteed by the United States;
- (4) Limit the issuance of additional bonds and specify the terms on which additional bonds may be issued, secured, and rank on parity with, or be subordinate or superior to other bonds;
- (5) Refund or refinance outstanding bonds;
- (6) Establish any procedure concerning the manner in which the terms of any contract with bondholders may be altered or amended, the amount of bonds to which the holders must consent, and the manner in which the holders must consent;
- (7) Define the acts or omissions that constitute a default in the duties of the Authority to holders of bonds and provide the rights and remedies of the holders in the event of a default, which may include provisions that restrict individual right of action by bondholders;
- (8) Provide for guarantees, pledges of property, letters of credit, or other security, or insurance for the benefit of bondholders; and
- (9) Provide for any other matter relating to the bonds that the Authority deems appropriate.

(b) Any provisions under subsection (a) of this section that the Authority includes in a resolution or trust agreement may be made part of the contract with the holders of the bonds.

§ 13-1119. Pledge of revenues

(a) A pledge by the Authority of revenues as security for an issue of bonds shall be valid and binding on and after the date when the documents evidencing the pledge are executed by the Authority.

(b) (1) The revenues that the Authority pledges may be made immediately subject to the lien of the pledge without any physical delivery or further act.

(2) The lien of any pledge of revenue is valid and binding against any person who has any claim in tort, contract, or otherwise against the Authority, whether or not the person has notice.

(c) In order to perfect the lien on the revenue pledged by the Authority against third persons, a resolution, trust agreement or financing statement, continuation statement, or other instrument that the Authority adopts or enters into need not be filed or recorded in any public record other than the records of the Authority.

§ 13-1120. Personal liability for bonds

No member of the Authority nor any person executing the bonds of the Authority shall be liable personally on the bonds or subject to any personal liability by reason of the issuance of the bonds.

§ 13-1121. Refunding of bonds

(a) The Authority may issue bonds to refund any of its bonds then outstanding, including the payment of any redemption premium and any interest accrued or to accrue to the earliest or any subsequent date of redemption, purchase, or maturity of the bonds.

(b) Refunding bonds may be issued in the discretion of the Authority and for any purpose authorized by this subtitle, including:

- (1) (i) For the public purposes of realizing savings in the effective costs of debt service, directly or through a debt restructuring;
- (ii) For alleviating impending or actual default; or

- (iii) For any other public purpose that the Authority determines is in the best interests of and consistent with the Authority's long-term financing plan;
- (2) In one or more series; and
- (3) In an amount in excess of that of the bonds to be refunded.

§ 13-1122. Marketing and sale of bonds

- (a) The Authority may enter into agreements with agents, banks, insurers, or others for the purpose of enhancing the marketability of, or as a security for, its bonds.
- (b) Any financial institution, investment company, insurance company or association, any personal representative, guardian, trustee, or other fiduciary, and any other public officer or unit of the State or a subdivision of the State may legally invest any moneys belonging to them or within their control in any bonds issued by the Authority.

§ 13-1123. Tax exemption

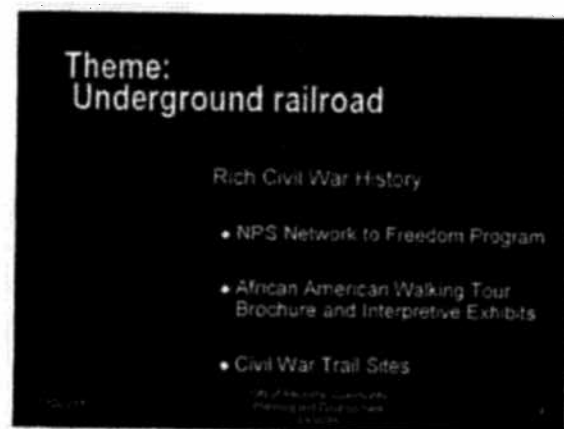
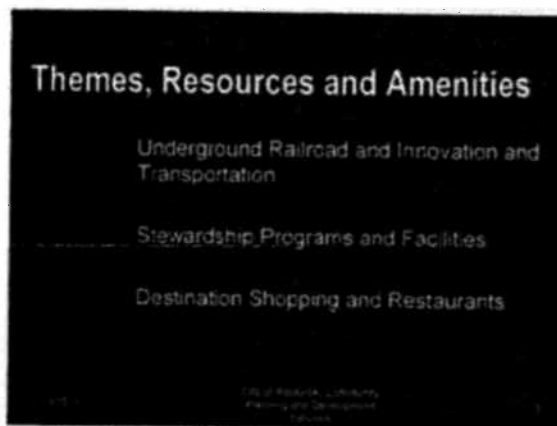
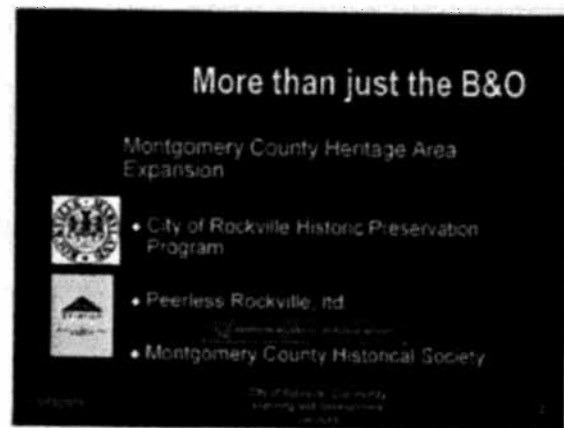
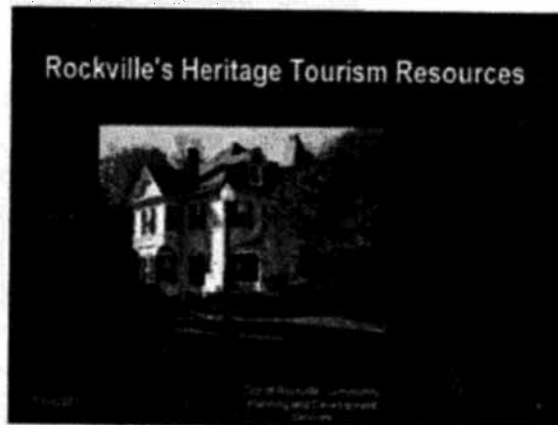
The bonds of the Authority, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, are exempt at all times from every kind of taxation by this State or by any of its political subdivisions, municipal corporations, or public agencies.

§ 13-1124. Dispute resolution

- (a) In this section, "aggrieved person" means:
 - (1) A person that:
 - (i) Is a party to a dispute that the Authority resolves under § 13- 1108(4)(ii) of this subtitle; and
 - (ii) Is aggrieved by the Authority's final action in resolving the dispute under § 13- 1108(4)(ii) of this subtitle; or
 - (2) The local jurisdictions within a certified heritage area from which the Authority has withdrawn approval of a management plan under § 13-1111(p) of this subtitle.
- (b) This section does not apply to:
 - (1) The failure of the Authority to designate:

- (i) A heritage area as a recognized heritage area; or
 - (ii) A recognized heritage area as a certified heritage area through the approval of a management plan;
 - (2) Actions taken by the Authority under its powers to issue bonds under Part IV of this subtitle;
 - or
 - (3) The failure of the Authority to award or enforce the terms of grants, loans, or other financing.
 - (c) An aggrieved person may appeal to the Office of Administrative Hearings for a hearing in accordance with Title 10, Subtitle 2 of the State Government Article.
 - (d) The decision of the Office of Administrative Hearings is the final administrative decision.
 - (e) The Office of Administrative Hearings may not modify the Authority's resolution of a dispute unless the aggrieved person shows by a preponderance of the evidence that:
 - (1) The final action of the Authority was arbitrary or capricious; or
 - (2) The Authority failed to follow its own procedures or regulations for resolving a dispute under § 13-1108(4)(ii) of this subtitle.
- Acts 1996, c. 601, § 1; Acts 1997, c. 14, § 1; Acts 1998, c. 740, § 1; Acts 1999, c. 33, § 1; Acts 2000, c. 61, § 6, c. 209, § 2; Acts 2001, c. 713, § 1; Acts 2003, c. 21, § 7; Acts 2005, c. 25, § 13, c. 44, § 1, c. 440, § 3; Acts 2006, c. 82, § 1; Acts 2007, c. 93, § 1.

<http://www.michie.com/maryland/lpExt.dll?f=templates&eMail=Y&fn=main-h.htm&cp=mdcode/1149e/125df/12714>



**Theme:
Innovation Transportation**

B&O Railroad/ Victorian Resort Development

- East Rockville Historic District
- Red Brick Courthouse
- West Montgomery Avenue Historic District

City of Rockville, Maryland
Planning and Research
Heritage

Stewardship, Programs Facilities

HDC, CLG, National Register and local Historic Districts

Peerless Rockville Tours, Public Programs, Research Center

MCHS Beall-Dawson House, Montgomery County Archives

City of Rockville, Maryland
Planning and Research
Heritage

Active Heritage Promotion

City walking tour brochures, interpretive signage, and historic sites

Peerless Underground Railroad Tour, Civic Architecture Tour, West End Tour, Events

MCHS Heritage Festival, Happy B-day Montgomery County, Educational Program, Research facility

City of Rockville, Maryland
Planning and Research
Heritage

Heritage Ambassadors

MCHS membership and volunteers

Peerless Rockville membership and volunteers

Historic District Commissioners and Historic Property Owners

City of Rockville, Maryland
Planning and Research
Heritage

Positioning

City of Rockville is currently updating Comprehensive Plan

Mayor and Council's Vision
Cultural Destination/ Cultural Plan


Preserve America Community and CLG

City of Rockville Community Planning and Development Department

Destination

Rockville Town Center

- 22 Restaurants/ Eateries
- 13 Specialty Shops
- Outdoor stage event space
- Public plaza art, history
- Ample parking and access to heritage facilities



City of Rockville Community Planning and Development Department

Next Steps

MHAA approval

Mayor and Council of Rockville endorsement

MCHA plan update

City of Rockville Community Planning and Development Department

The Abell Report

ATTACHMENT **C**

What we think about, and what we'd like you to think about

Published as a community service by The Abell Foundation

ABELL SALUTES: "Project Light Bulb" and the 300 "Mrs. Copelands" who are saving money by saving energy.

1924 E. 32nd St., in the Cold Stream section of Baltimore City near Lake Montebello, looks pretty much like all of the other houses on the block: a row-house with a porch front, a postage-stamp size front lawn, five steps leading up to the porch and the front door. But 1924 is not like any of the other houses on the block; men and women from Project Light Bulb have been here; they have made 1924 different.

Mrs. Bobbie Copeland lives here, and she explains this difference: "The people from Project Light Bulb approached me with an offer to make certain changes in my home at no cost that would save energy, and at the same time, save me money on my Gas and Electric bill. They turned out to be right. It's true. By saving energy I find I am saving money."

And what changes that have the technicians from Project Light Bulb made? To answer, Mrs. Copeland escorts a visitor on a tour, starting in the living room. She lights a table lamp and points out that the bulb is of the 'compact fluorescent kind.' Most all of the bulbs in the house are these compact fluorescent light bulbs (CFLs). They provide much brighter light than the conventional bulbs. And they do not take as much energy to keep them lit."

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Heritage Tax Credits: Maryland's Own Stimulus to Renovate Buildings for Pro- ductive Use and Create Jobs, an \$8.53 Return on Every State Dollar Invested

by Joseph Cronyn and Evans Paull

Baltimore's historic center of commercial activity at Howard and Lexington streets is now at the center of the city's economic and green resurgence. The Hecht's and Stewart's department store shoppers have long since departed, now replaced by the residents of the Atrium Apartments and the office workers of Catholic Relief Services' world headquarters.

The transformation of that intersection and its vibrant West Side mixed-use community is due in great part to one of the most successful economic development programs ever designed by Maryland state government, the Maryland Heritage Structure Rehabilitation Tax Credit Program. But the intersection can also be considered "climate change central," exemplifying the types of changes needed to set Maryland on a sustainable path for future growth.

Most Atrium residents and Catholic Relief Services office workers are probably unaware that their choice of a place to live and work is about as close to "climate neutral" as you can get on a developed piece of real estate in the state of Maryland. The occupants of these buildings drive at least 40 percent less than regional norms, since residents can walk or take transit to everything from baseball games to movies. Both buildings have been renovated to LEED or LEED-equivalent standards, saving

about 30 percent of energy use within the building. In addition, the area is also served by Baltimore's district heating system, so the energy that is required is delivered with low-carbon efficiency.

The Maryland Historic Tax Credit Program is well established as a community revitalization engine, a key element in the renewal of downtowns and older established communities across the state: Berlin, Cumberland, Easton, Frederick, Hagerstown, and more. Less recognized, but defined and quantified here for the first time, is the role of the tax credit in reinforcing smart growth, lowering greenhouse gases, improving water quality, saving greenfields, lowering demand for landfill space, and making better use of existing infrastructure. In short, the historic preservation tax credit program is an environmental-economic development win-win.

Background

The Maryland Heritage Structure Rehabilitation Tax Credit (MHRTC) Program is intended to encourage the redevelopment of historic properties in the state by offering developers tax incentives equal to up to 20 percent of eligible rehabilitation costs. Though both commercial (i.e., income-producing) and owner-occupied residential historic properties can be eligible for the program, the bulk of rehabilitation activity and state expenditures have involved

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continued from page 1

commercial structures. Combined with federal historic preservation tax incentives in a similar amount, the state program has provided a powerful incentive for recycling older, underutilized and economically obsolete buildings into new uses: abandoned warehouse and manufacturing structures have become exciting office space for entrepreneurial new companies; economically and functionally obsolete office buildings have become upscale apartments bringing new residents to formerly struggling downtown areas.

In the 1996-2002 period, the Maryland program was a leader nationally in the number and scale of commercial projects which it enabled. The success of the program, however, led to legitimate concerns about the unpredictability of annual tax credit outlays and, then, legislative restrictions which curtailed its productivity. Over the 2002-2004 period, the commercial program was progressively cut back: capping total program expenditures and expenditures per property, apportioning awards geographically, instituting competitive ranking for scarce credits—all of which limited its desirability for developers.

The number of completed projects has dropped precipitously: from 75 projects and \$303.9 million total rehabilitation cost among 2001 applicants to only 20 projects and \$32.8 million total rehabilitation cost among 2005 applicants. The state's expenditure for tax credits also dropped proportionately from \$74.8 million to \$6.6 million for those years, yielding a program cost which some would consider more fiscally responsible, but others would characterize as short-sighted in light of the long-term benefits created by the rehabilitation activity.

Economic & Fiscal Impact of Historic Preservation

As an important gauge of the benefits which historic preservation can bring to Maryland, we analyze the impact of tax credit-facilitated projects on the state's economy and public budgets over the lifespan of the program since 1996. The distinct impacts of the commercial and residential components of the inventory are studied separately, using ratios contained in the IMPLAN economic input-output model for Maryland.

Commercial Properties

The Maryland Heritage Structure Rehabilitation Tax Credit Program has facilitated the redevelopment of 407 historic commercial structures over its 12-year life. Those projects involved over \$923.0 million in total rehabilitation spending (\$1.02 billion in 2009 dollars) by developers, assisted by an investment of \$213.9 million in state tax credits. The commercial portfolio has the following characteristics:

- ***Economic Development***

Over 12 years, completed commercial projects have generated a total economic impact on the Maryland economy of more than \$1.74 billion (\$2009) in total economic activity, employing an estimated 15,120 persons earning \$673.1 million (\$2009). Construction labor on the job-sites totaled an estimated 9,248 workers earning \$443.4 million (\$2009)—over three-fifths of the total economic impact.

Although not usually thought of as a jobs program, historic renovation is a labor-intensive process which creates jobs—especially valuable in an economic downturn such as we are now experiencing. Economic mod-

els confirm experience that rehabilitation activity creates 20 percent more jobs than new construction. Over the past 12 years, the state's tax credit investment has generated 1,850 more jobs than would have been created had the same funds been used for new construction.

- ***Fiscal Impact***

During their construction periods alone, the 407 projects generated an estimated \$83.7 million (\$2009) in state and local taxes—effectively paying down more than one-third of the state's total \$213.9 million tax credit investment. The greatest return on the state's investment, however, comes from the long-term increase in employment and property taxes at the historic properties and their neighbors.

- ***Scale of Rehabilitation***

Though projects have ranged in their scale of total rehabilitation expenditures from \$6,000 to \$70.9 million, more than three-fifths (60.9%) of projects have involved spending of less than \$500,000. Only 48 structures have required a rehabilitation scope exceeding \$5.0 million, but those properties generated over \$691.0 million in rehabilitation spending—three-quarters of total rehabilitation expenditures and tax credits awarded by the state.

- ***Geographic Distribution***

The projects have been concentrated in Baltimore City, which captured more than three-fifths (63.6%) of all awards, representing 85.9 percent of all rehabilitation expenditures and 87.1 percent of all tax credits. Nonetheless, projects were located in all but three Maryland jurisdictions—Charles, Garrett and Somerset coun-

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ties. Frederick (20), Anne Arundel (18) and Baltimore (18) counties had the next most numerous inventories of commercial tax credit awards.

- **Non-Profit Developers**

Non-profit developers accounted for about one-tenth of commercial rehabilitation projects: 36 projects involving \$98.2 million in expenditures. Since the non-profits could not themselves take advantage of the tax credits, they received refunds of the full amount of the tax credits.

- **Federal Tax Credits**

The Maryland Historical Trust estimates that \$172.2 million in Federal Historic Preservation Tax Incentives Program tax credits have been leveraged by the Maryland tax credits—almost a one-to-one match. Owing to their challenging nature, most commercial projects would not be attempted without the equity provided by the combination of state and federal incentive programs.

Residential Properties

Since 1997, the Maryland tax credit program has assisted in the rehabilitation of 2,351 historic residential structures. Those projects involved over \$201.4 million in total rehabilitation spending (\$217.1 million in 2009 dollars) by owner-occupants and their developers, assisted by an investment of \$41.6 million in state tax credits. The residential portfolio has the following characteristics:

- **Economic Development**

Over 12 years, completed residential projects have generated a total economic impact on the Maryland economy of more than \$354.9 million (\$2009) in total economic activity, employing an estimated 3,343 persons earning \$88.5 million (\$2009). Construction labor on the job-sites totaled an estimated 1,606 workers

earning \$38.9 million (\$2009)—almost half of the total economic impact.

- **Fiscal Impact**

During their construction periods alone, the 2,351 projects generated an estimated \$23.5 million (\$2009) in state and local taxes—effectively paying down more than one-third of the state's total \$41.6 million tax credit investment. The greatest return on the state's investment, however, comes from the long-term increase in property taxes for the historic properties and their neighbors in perpetuity.

- **Scale of Rehabilitation**

Though projects have ranged in their scale of total rehabilitation expenditures from \$5,000 to \$3.3 million, three-quarters (74.6%) of projects have been small—involving total rehabilitation spending of less than \$100,000. Only 13 homes required a rehabilitation scope exceeding \$1.0 million—in total about one-tenth of all rehabilitation expenditures and of state residential tax credits.

- **Geographic Distribution**

Residential rehabilitation projects were awarded tax credits in all counties in Maryland, though almost three-fifths of projects and spending were located in Baltimore City. There have been 1,352 homes rehabilitated in the city, involving eligible expenditures of \$118.0 million. Montgomery (241) and Baltimore (229) counties had the next greatest numbers of residential tax credit awards.

- **Tax Credit Effectiveness**

Over three-fifths (62.4%) of residential applicants have stated that they would not have attempted rehabilitation of their historic properties unless the Maryland tax credits were available.

Tax Credit Leverage

The economic impact of historic preservation tax credits is magnified by the fact that, for every \$1.00 invested by the State of Maryland, there must be a total expenditure of at least \$5.00 in rehabilitation expenses by the property owner. Using the IMPLAN economic and fiscal impact statistical model, we estimate the leverage gained by state in the rehabilitation of commercial projects as follows:

Leverage of Maryland Tax Credits Impact of 20% Commercial Credit

	Per \$1.00 of Credit
Total Economic Output	\$8.53
Employee Compensation	\$3.30
State & Local Tax Receipts	\$0.41
Construction Wages (On-Site)	\$2.18
	Per \$1.0 Million in Credits
Total Employment (Jobs)	72.5
Construction Jobs (On-Site)	45.5

During the construction period alone, each \$1.00 of tax credits invested yields the state \$8.53 in total economic output including \$3.30 of wages—two-thirds of which are received directly by construction workers on-site. Job creation is also significant, with 72.5 jobs (45.5 on-site) being created during the construction period throughout Maryland for each \$1.0 million investment by the state.

Inventory of Historic Structures

Maryland's historically significant properties are a unique resource preserving a built record of the development of American society from colonial days to the present. Given Maryland's place in U.S. history, it is perhaps not surprising that Maryland boasts a greater number of structures listed in National Register and local historic districts than any other state in the Union.

There is no comprehensive list of all designated historic structures in the

continued from page 3

state, since each county and municipality has the authority to create local historic districts. A reasonable estimate of the number of contributing structures can be made, however, based on calculations from a 2003 Lipman Frizzell & Mitchell study commissioned by the Maryland Historical Trust, since updated to 2008 by the state agency. The agency estimates the number of contributing structures in National Register historic districts to be 89,523 as of December 31, 2008. Adding to that figure an estimated 8,087 structures in local historic districts which are not counted above, we calculate the number of eligible structures throughout the state to be approximately 97,610. (It should be noted that 60,835 or 62.3 percent of those properties are located in Baltimore City—leading to its disproportionate representation in tax credit expenditures and economic/fiscal benefits analyzed above. Prince George's, Frederick and Washington counties have the next largest inventories of historic properties.)

- *Tax Credit "Capture"*

The average number of preservation projects (the vast majority being owner-occupied residential) receiving tax credit awards over 12 years has been 230 per year, though the total reached as high as 491 for cases initiated in 2004. Even assuming that the number of tax credit applications in a given year might total 500, we calculate that only 0.5 percent of all eligible structures are being addressed in any one year. (We also note that the proportion of applications which do not ultimately result in the completion of approved rehabilitation and an award of tax credits seems to be about 10 percent. The total volume of applications to be processed annually, however, is tremendous—and the Maryland Historical Trust needs to be staffed appropriately to handle the volume.)

- *Large Historic Structures*

In 2003, Lipman Frizzell & Mitchell estimated the number of potentially eligible high rehabilitation cost properties (requiring more than \$15 million in rehabilitation) at approximately 300 properties statewide. That universe was comprised of properties of at least 150,000 sq. ft. which were constructed no later than 1950. That estimate was based on available but incomplete data from the Maryland Department of Assessments & Taxation on all private, public, utility, institutional and non-profit properties. In the event that the cap were lifted regarding maximum project size eligible for tax credits, it seems that there would be a finite universe of properties which could trigger the payment of very high (e.g., greater than \$3.0 million) tax credits in any given year.

In a review of the 12-year experience of the Maryland tax credit program, it is apparent that cutbacks in the funding of the program combined with additional program restrictions (especially per-project funding cap, rating/ranking procedures, jurisdictional allocations) have reduced program production—as intended. The experience of other states with similar programs (e.g., Virginia, North Carolina, Missouri) but without the added caps and restrictions is not exactly comparable to Maryland's due to differences in overall program guidelines and local conditions. It is clear, however, that those states enjoyed a relatively consistent level of production in the years following 2002—falling since 2007 due to the current economic recession. Were Maryland to have retained its pre-2002 guidelines for the tax credit program, it is likely that demand for the tax credits would have been sustained and that the job creation and environmental benefits of the program would have continued.

Community Revitalization

Case studies conducted in the past by

Lipman Frizzell & Mitchell¹ and others have documented additional community revitalization benefits of the tax credit program. These included:

- *CBIZ/BGS&G Building (Cumberland)*

The building was regarded as a key linking element between the Cumberland Mall and Canal Place and was credited with stimulating economic activity in both directions, thereby contributing to the heritage tourism that was one of the cornerstones of the city's economic plans;

- *Cannon Hill (Frederick)*

The redevelopment was credited with stimulating significant re-investment activity in both residential and commercial corridors adjacent to the site.

- *American Can Complex (Baltimore City)*

Analysis revealed that building permit activity tripled and neighborhood property values rose 17.6 percent in the four-year period following completion of the project. This compared to citywide property values rising 4.4 percent.

- *Tide Point (Baltimore City)*

Certainly not typical of all tax credit projects in its scale, Tide Point is regarded by many as a linchpin project, sparking revitalization of the city's Locust Point neighborhood. The \$17.7 million tax credit was the key financing source for this redevelopment of the former Procter and Gamble soap plant. Tide Point consists of 400,000 square feet of modernized office and technology space, accommodating 1,600 jobs and representing \$72 million investment. The project, completed in 2000, paved the way for at least three subsequent conversions of underutilized industrial land to new residential, mixed-use, and commercial redevelopment projects, totaling several

continued from page 4

multiples of the Tide Point investment (Silo Point, Foundry on Fort, and McHenry Row). A recent master's thesis² focuses on indicators of neighborhood revival:

- Average commercial and residential property sales prices rose approximately fivefold from 1995 (pre-Tide Point, \$58,800) to 2007 (\$276,600);
- Construction permits grew dramatically, about fivefold from 1995 to 2007. When the construction permits are compared to city-wide permits, which also grew, the Locust Point growth rate still exceeds the citywide rate by a factor of 3.52.

Environmental Impact of Historic Preservation

We document and quantify the benefits associated with historic preservation as a primary tool in encouraging responsible growth within existing communities including impacts on air quality, greenhouse gases, water quality, travel congestion, public health, and preservation of farmland. Our analysis demonstrates that each \$1.0 million investment in historic tax credits results in significant environmental benefits, as illustrated in the following table (and explained in the narrative below).

The benefits of growth within existing communities are contrasted with the negatives associated with sprawling development patterns. In each case below, therefore, preservation / redevelopment of an historic structure is considered to save the environment from the construction of a new structure of similar scale on a suburban "greenfields" site.

Climate Change, VMTs and Walkable Communities

Experts agree that reducing vehicle miles traveled (VMTs) is a critical element of climate change strategies. There is solid evidence from multiple studies

that "compact development" saves in the range of 20 to 40 percent VMTs relative to sprawl.³ Some highly urbanized and walkable communities have been documented to reduce VMTs by up to 75 percent.⁴ The factor that has proven to be most highly correlated with VMT reduction is density. Several studies found that doubling density corresponds to a 25 to 30 percent reduction in VMTs.⁵ The urban form characteristics that are correlated with VMT reduction are, in rank order: density, mixing uses, proximity to transit, proximity to city center or job centers, and connectivity of the streets and the pedestrian friendliness of the public thoroughfare (grid streets).

Historic structures are typically found in communities meeting all these criteria. Both residential and job densities surrounding all tax credit commercial properties were evaluated for this study and found to be at least triple those in developed suburban areas. Further, 86 percent of all tax credits have been

awarded to Baltimore City projects and, according to the Baltimore Metropolitan Council, city residents on average drive at half the rate of suburbanites: 14.2 VMT per person per day contrasted with 28.1 VMT for suburbanites.⁶

A community's "walkability" ranking is both a quality of life factor and a good correlate and predictor of VMT reduction. Researchers for this study rated each MHRTC project on a walkability index (www.walkscore.com) and found that the median walkscore was 91 out of 100 (90 to 100 is the highest ranking, characterized as a "walker's paradise"). This ranking means that the vast majority of MHRTC projects are located in mixed-use communities where walking is a viable alternative to car travel.

Based on our analysis, we conclude that historic preservation projects reduce VMTs 30 to 40 percent as compared to new suburban development (higher reduction is generally attributed to compact development – see Appendix for an

**Environmental Impact of Historic Preservation:
Benefits of \$1.0 Million Investment in Historic Tax Credits***

Benefit	Quantification
Renovated space	50,000 sq ft
Environmental Impacts:	
• Lower VMTs (20%-40% saving compared to sprawl)	198,000 – 264,000 VMTs
• Lower travel-related CO ₂ compared to sprawl	92 – 123 metric tons CO ₂
• If the rehabilitation is also LEED equivalent for energy efficiency, the CO ₂ "saved" relative to conventional construction in suburban location	164 – 195 metric tons CO ₂
— This is equivalent in gallons of gasoline	18,700 – 22,000 gal. of gas
— This is equivalent taking vehicles off the road	30 to 35 vehicles
• Retained "embodied" energy	55,000 MBTUs
• Greenfield land preserved	5.2 acres
• Lowered run-off per sq ft or DU, relative to low density sprawl – percentage reduction	70%
• Less demolition debris in landfills, relative to demolition and new construction	2,500 tons
• Value of natural resources conserved, relative to new construction	\$100,000
Infrastructure investments "saved"	\$500,000 - \$800,000

* Calculations assume 20% credit and rehabilitation cost of \$100 per sq. ft.

continued from page 5

explanation of the methodology). The VMT reduction can be quantified as carbon dioxide reduction over the 12-year experience of the tax credit program as follows:

- Households and employees have reduced their travel by 34.3 - 45.8 million miles
- CO₂ emissions have been reduced by 13,700 - 21,200 metric tons
- These VMT and CO₂ reductions represent:
 - 1.7- 2.3 million gallons of gasoline: or,
 - 2,500 - 3,800 cars removed from the road for a year.

The Dual Energy Benefit of Energy-Efficient Buildings in Energy-Efficient Locations

Historic preservation projects tend to be both energy-efficient within the building envelope and located in areas that encourage non-automotive means of access and egress—yielding dual energy conservation benefit. Policymakers should consider ways to adjust the tax credit to add a benefit for green, energy efficient buildings in order to maximize the sustainable energy-saving aspects of preservation projects. Every 50,000-square-foot building that reduces VMTs by 40 percent and also lowers building energy use by 30 percent (typical LEED savings) reduces CO₂ production by 195 metric tons—the equivalent of taking 35 automobiles off the road. (See Appendix for examples of preservation projects that offer both transportation and in-building energy savings)

There is a common misperception that older buildings are less energy efficient than buildings built in more recent times. Data from the US Energy Information Administration indicates that buildings built before 1920 are approximately equivalent to buildings built from 2000 to 2003, and the worst energy offenders are actually those built in the 1970's and 1980's.

The reasons that historic structures are relatively energy-efficient have to do with the use of materials that are superior insulators, use of natural ventilation, as well as siting/orientation for efficient heating and cooling in the pre-air conditioning era.

Embodied Energy

Embodied energy is defined as the amount of energy associated with extracting, processing, manufacturing, transporting and assembling the building materials – essentially the energy already expended to build a building.⁷ Preservationists argue that embodied energy, even though it is backward-looking, is legitimate to count when weighing the energy impacts of alternative plans, because it accurately brings into consideration a longer-term, life cycle-oriented approach, which is entirely appropriate given that greenhouse gases dissipate over very long time periods.

Embodied energy is calculated at about 1.1 MBTU (million BTUs) per square foot for a generic commercial building. Every tax credit project can be viewed as retaining (not wasting) the embodied energy of the renovated building. Estimating that the historic preservation tax credit program has facilitated the renovation of 10.2 million sq ft of commercial space and, then, multiplying that amount of space times 1.1 MBTU per square foot results in a calculation that 11.2 million MBTU of embodied energy has been “retained.” For per-

spective, 11.2 million MBTU is equivalent to 67 million gallons of gasoline or 595,000 metric tons of CO₂.⁸

Saving Greenfields

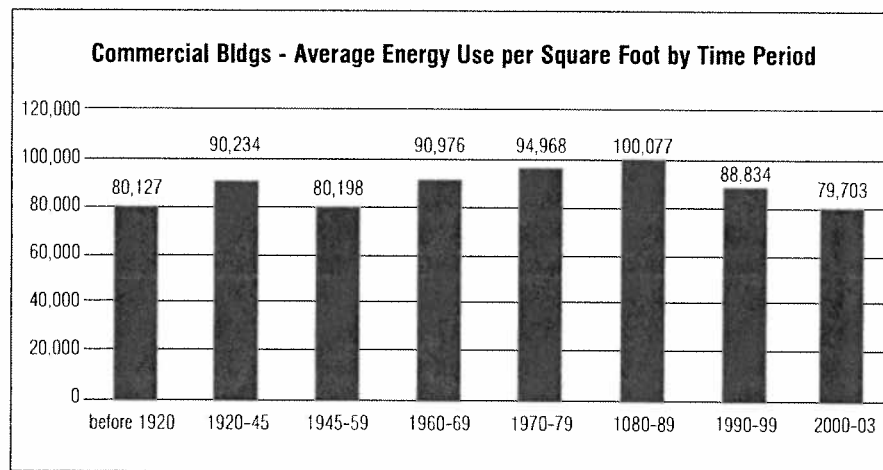
Tax credit projects by their nature involve the redevelopment of land that has already been used. Historic preservation represents an alternative way to accommodate growth and avoid the outward pressure to develop greenfields, farms and virgin land. An EPA-funded study for brownfields sites estimated that one acre of brownfields redeveloped corresponds to conserving 4.5 acres of greenfields.⁹ The density data reflected in the VMT section and the appendices support this 1:4.5 acre ratio as a conservative estimate.

Using this ratio (1 acre redeveloped to 4.5 acres greenfields saved), we conservatively estimate that the program has already saved at least 1,053 acres of greenfields land by virtue of accommodating growth in existing communities.

Infrastructure Savings

Historic preservation projects are reusing land which is served by existing infrastructure: roads, storm and sanitary sewers, utility lines, etc. A review of national literature, combined with discussions with local developers and public officials led to the conclusion that preservation projects save 50 to 80 percent in infrastructure costs compared to new suburban development.¹⁰

We calculate, therefore, that infra-



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structure investment “savings” over the past 12 years have amounted to between \$102 and \$163 million, which can be interpreted as an indirect fiscal benefit returning over one-quarter of the state’s tax credit investment. (National research also indicates that there are operating cost savings attributable to more dense development such as the historic structures, but the magnitude is not well established.)

Lowering Runoff and Improving Water Quality

Tax credit projects, because of their density, can be credited with reducing stormwater runoff and improving water quality. EPA estimates that higher density (e.g., 8 Dwelling Units per acre) development reduces runoff by 74 percent as compared to a low density (1 DU per acre) development.¹¹

Less Waste in Landfills

Demolition debris comprises roughly 24 percent of the municipal solid waste stream, estimated to be 325 million tons nationally in 2003, for example.¹² The EPA estimates that residential demolition generates 115 pounds of waste per square foot and the demolition of non-residential buildings produces approximately 155 pounds of waste per square foot.¹³

Assuming each tax credit preservation project to be an alternative to demolition, we estimate that the state’s investment in historic commercial properties has “saved” 387,000 tons of material from landfills over the past 12 years. This amount of landfill material is the equivalent of filling a football stadium to a depth of 50-60 feet.¹⁴

There are also energy savings due to NOT demolishing and landfilling this amount of material. The authors estimated that 5,000 metric tons of CO₂ have been conserved due to MHRTC program. This amount of CO₂ is the equivalent of 900 automobiles being taken off the road.

Health Benefits of Historic, Walkable Communities

With a median walkscore of 91 out of 100, tax credit projects have been objectively ranked as being located almost universally in highly walkable communities. National research correlates walkable communities with higher levels of compliance with exercise guidelines^{15 16} and lower levels of obesity, high “body mass index,” high blood pressure, arthritis, headaches, and breathing difficulties.¹⁷

Conclusions

The research conducted by Lipman Frizzell & Mitchell and Northeast-Midwest Institute is clear in demonstrating the short- and long-term yield which the State of Maryland has received on its investment in historic preservation through the Maryland Heritage Structure Rehabilitation Tax Credit program. Historic preservation is also economic development and environmental preservation—creating jobs and saving greenfields. As urban areas are revitalized and sprawl reduced, the Maryland economy will grow along a more sustainable trajectory and its citizens’ quality of life will be enhanced.

If the Maryland Heritage Structure Rehabilitation Tax Credit is to be maximally effective in delivering its environmental, economic and fiscal benefits in the future, we recommend that to the extent feasible the following objectives be realized:

- *Smart Growth Program*

The program’s greatest benefits are long-term: more sustainable communities, reduced infrastructure costs, increased property tax base, and others. Historic tax credit investments must be evaluated from a long-term investment perspective similar to public finance bond investments.

- *Removal/increase program and project caps*

The tax credit program is effective at

capturing growth in the right places and creating jobs. The larger projects create more employment and also tend to catalyze broader revitalization in their immediate neighborhoods. The greater the availability of tax credits, the greater the program’s job-creating potential—particularly in the midst of a recessionary economy.

- *Increase Predictability*

The greater the predictability the program can have for developers and investors, the more likely they will be to attempt historic rehabilitation. Removal of rating and ranking systems (along with their associated time delays) will encourage the use of the program.

- *Encourage energy-efficient rehabilitation*

Starting from a base of relatively more energy-efficient buildings, encouraging greater energy savings in historic structures through green building standards will enhance the program’s total impact.

The Authors

In this analysis, the authors review recent research into the benefits of the rehabilitation of historic structures regarding their impact on the environment, on the Maryland economy and on the budgets of state and local governments in Maryland. Benefits are quantified insofar as current research will permit. The principal author, Joseph Cronyn of Lipman Frizzell & Mitchell LLC, is a nationally-recognized authority on the economic and fiscal impacts of historic preservation. His co-author, Evans Paull of the Northeast-Midwest Institute, has done extensive research into brownfields, sustainable development, and environmental issues for the development of national policy.

An appendix containing additional documentation of the methodology and assumptions is available from The Abell Foundation upon request by contacting abell@abell.org

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Endnotes

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ABELL SALUTES

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The next stop is the kitchen, actually the kitchen sink. Ms. Copeland points to a lever on a device fixed to a spigot. "Water comes out in a shower, in separate little streams, so there is less water coming out to do the same job" She presses a tiny lever near the faucet handle. "This stops the water at the temperature you had it, so when you restart it the water comes out at that same temperature. There is no loss of water, or of the energy to heat the water, when you leave the kitchen for any reason or pick up the phone to interrupt what you were doing."

Mrs. Copeland leads the visitor down steps off the kitchen and into the basement, which has been rebuilt into a club room. She points to the hot water heater. "It's wrapped in three and a half inches of insulation. It keeps the heat in and the savings in energy up."

Back on the first floor she points to the thermostat on the wall near the stairwell. She says, "You can preset the control to get differing temperatures at the times when you want it, so that you need not waste energy keeping the house warm when you are not here or when you are asleep and might want it cooler."

"I not only can take credit for saving energy, I got credit on my monthly budget bill from Baltimore Gas and Electric. I am delighted with the program."

Mrs. Copeland's house at 1924 E. 32nd St. is one of 300 houses where Civic Works has installed the energy saving, money saving Project Light Bulb program.

The program traces its origins in Baltimore to The Abell Foundation's interest in energy conservation. Aware of Civic Works' strong track record of neighborhood stabilization, community service and skills development, the Foundation approached the organization about funding for a new energy-efficiency program. Civic Works researched a program in Colorado, implemented by the Mile High Youth Conservation Corp with funding

from the Governor's Office of Energy Management and Conservation. With a start-up grant of \$67,375 from the Abell Foundation, the Colorado model was modified into a pilot program for Baltimore. Project Light Bulb was born.

The project is designed to be easy to implement, immediately addressing the five things in the house that can quickly and most cost-effectively reduce energy consumption and lower household energy costs—with a high priority on light bulb replacement, with removal of up to 15 incandescent bulbs within the house and replacement with CFL light bulbs. The Maryland Energy Administration provided 1,600 CFL bulbs for the pilot and Baltimore Gas and Electric provided 1,000 CFL bulbs. In addition, Civic Works tests thermostat settings for the furnace and air conditioner and tests temperatures of hot water heaters and refrigerators. They replace one kitchen and one bathroom faucet with aerators and replace the showerhead with a low-flow version to reduce consumption of hot water. As a safety measure, Civic Works provides a carbon monoxide detector and makes referrals to the Fire Department for smoke detectors in houses where there are none. Importantly, they provide education on conservation by giving the resident tips on additional energy-saving measures such as washing clothes in cold water and cleaning dust off refrigerator coils. They provide printed information with each resident on the energy conservation items installed and tips for additional savings.

Project Light Bulb began as a pilot program in two neighborhoods, Belair Edison and Coldstream-Homestead-Montebello, in November, 2007. Each of the neighborhoods was chosen for its demographics of low and moderate income households most likely to be affected by energy prices, the predominant housing type of the two-story row house with some built-in energy efficiency advantages and for the strong neighborhood organizations with marketing capability.

Civic Works trains AmeriCorps workers and deploys them in teams of two to visit each home. By the end of February, 2008, Civic Works had visited 330 homes, installing 4,060 CFLs, 287 kitchen aerators, 258 bathroom aerators, 219 low-flow shower heads and 330 carbon monoxide detectors and provided 164 names and addresses to the Fire Department of smoke detector referrals. They found that in the majority of homes, residents had very limited knowledge of energy conservation and most did not have thermostats, freezers and water heaters set at the recommended temperatures. Civic Works conservatively estimated that in the first year the 300 participating households will save \$27,000 in combined electricity costs and 3.2 million gallons of water, not including any reductions from adjusted thermostat settings or hot water usage.

Using data provided through BGE under agreement with each participant, Civic Works compared actual electricity usage from February and March, 2008 to February and March, 2007. They determined that the average monthly savings for participating households is 53 kilowatt hours per month or \$8, which represents approximately a 10 percent savings in monthly electricity costs. Although the homeowner does not pay the \$205 cost of the installation of energy-saving devices at current electricity rates, the homeowner savings cover the cost of the program in a little over two years. Based on the results of the pilot program, The Abell Foundation awarded a subsequent \$213,000 grant to Civic Works to continue the program for one year to address an additional 1,000 households.

The Abell Foundation Salutes Project Light Bulb: Dana Stein, Executive Director; Earl Millett, Director of Community Development of Civic Works; and the Civic Works AmeriCorps trainees who implement the program, and all 300 of the Mrs. Copelands who are saving money by saving energy.